

Federal Communications Commission

- 40 Inmate Calling Services Providers Coalition ("Inmate")
- 41 Intellicall Companies ("Intellicall")
- 42 International Telecard Association ("ITA")
- 43 InVision Telecom, Inc. ("InVision")
- 44 Iowa Utilities Board
- 45 City of Kansas City, Missouri ("Kansas City")
- 46 Kampgrounds Of America, Inc. ("KOA")
- 47 Lubbock County Sheriff's Office ("Lubbock County Sheriff")
- 48 State of Maine Public Utilities Commission, State of New Hampshire Public Utilities Commission, State of New Mexico State Corporation Commission, State of Vermont Public Service Board and Department of Public Service ("Maine PUC")
- 49 MCI Telecommunications Corporation ("MCI")
- 50 Michigan Pay Telephone Association ("MPTA")
- 51 Midwest Independent Coin Payphone Association ("MICPA")
- 52 National Association of RV Parks and Campgrounds ("ARVC")
- 53 National Exchange Carrier Association, Inc. ("NECA")
- 54 NATSO, Inc. ("NATSO")
- 55 New Jersey Payphone Association ("NJPA")
- 56 New Jersey Division of the Ratepayer Advocate ("New Jersey DRA")
- 57 New York City Department of Information Technology and Telecommunications ("New York City")
- 58 New York State Department of Public Service ("New York DPS")
- 59 National Telephone Cooperative Association ("NTCA")
- 60 Public Utilities Commission of Ohio ("Ohio PUC")
- 61 Oklahoma Corporation Commission ("Oklahoma CC")
- 62 Oncor Communications, Inc. ("Oncor")
- 63 One Call Communications, Inc. d/b/a Opticom ("One Call")
- 64 Paging Network, Inc. ("PageNet")
- 65 Personal Communications Industry Association ("PCIA")
- 66 Pennsylvania Public Utility Commission ("Pennsylvania PUC")
- 67 Peoples Telephone Company, Inc. ("Peoples")
- 68 Promus Hotel Corporation ("Promus")
- 69 Puerto Rico Telephone Company ("Puerto Rico Telephone")
- 70 RBOC Payphone Coalition ("RBOC")
- 71 Scherers Communications Group, Inc. ("Scherers")
- 72 SDN Users Association, Inc. ("SDN Users")
- 73 South Carolina Public Communications Association ("SCPCA")
- 74 Southwestern Bell Telephone Company ("SW Bell")
- 75 Sprint Corporation ("Sprint")
- 76 Tarrant County, Texas ("Tarrant County")
- 77 Telecommunications Resellers Association ("TRA")
- 78 Teleport Communications Group Inc. ("Teleport")
- 79 Public Utility Commission of Texas ("Texas PUC")
- 80 Truckstops of America
- 81 United States Telephone Association ("USTA")

Federal Communications Commission

- 82 US Satellite Corp. ("US Satellite")
- 83 US WEST, Inc. ("US WEST")
- 84 Virginia State Corporation Commission ("Virginia SCC")
- 85 Wisconsin Public Communications Association ("WPCA")
- 86 WorldCom, Inc. d/b/a LDDS WorldCom ("WorldCom")
- 87 Yuma County Airport Authority, Inc. ("Yuma County Airport")

APPENDIX C

PARTIES FILING REPLY COMMENTS

- 1 Air Touch Paging ("Air Touch")
- 2 American Express Telecommunications, Inc. ("American Express")
- 3 Ameritech
- 4 American Public Communications Council ("APCC")
- 5 Arch Communications Group, Inc. ("Arch")
- 6 AT&T Corp. ("AT&T")
- 7 Bell Atlantic
- 8 Bell South Corporation ("Bell South")
- 9 Robert M. Brill, Esquire ("Brill")
- 10 California Payphone Association ("CPA")
- 11 People of the State of California and the Public Utilities Commission of the State of
California ("California PUC")
- 12 Communications Central, Inc. ("Communications Central")
- 13 Competitive Telecommunications Association ("CompTel")
- 14 Frontier Corporation ("Frontier")
- 15 Gateway Technologies, Inc. ("Gateway")
- 16 Georgia Public Communications Association ("GPCA")
- 17 GTE Service Corporation ("GTE")
- 18 Indiana Utility Regulatory Commission ("Indiana URC")
- 19 Inmate Calling Services Providers Coalition ("Inmate")
- 20 Intellicall Companies ("Intellicall")
- 21 International Telecard Association ("ITA")
- 22 MCI Telecommunications Corporation ("MCI")
- 23 Medeco
- 24 Metropolitan Washington Airports Authority ("Metropolitan Washington")
- 25 Michigan Pay Telephone Association ("MPTA")
- 26 Missouri Public Service Commission ("Missouri PSC")
- 27 MobileMedia Communications, Inc. ("MobileMedia")
- 28 Montana Public Service Commission ("Montana PSC")
- 29 National Exchange Carrier Association, Inc. ("NECA")
- 30 National Telephone Cooperative Association ("NTCA")
- 31 Public Utilities Commission of Ohio ("Ohio PUC")
- 32 One Call Communications, Inc. d/b/a Opticom ("One Call")
- 33 Organization for the Promotion and Advancement of Small Telecommunications
Companies ("OPASTCO")
- 34 Pacific Telesis Group ("PacTel")
- 35 Personal Communications Industry Association ("PCIA")
- 36 Peoples Telephone Company, Inc. ("Peoples")
- 37 Puerto Rico Telephone Company ("Puerto Rico Telephone")
- 8 RBOC Payphone Coalition ("RBOC")

Federal Communications Commission

- 39 San Diego Payphone Owners Association ("SDPOA")
- 40 Southwestern Bell Telephone Company ("SW Bell")
- 41 Sprint Corporation ("Sprint")
- 42 Telaleasing Enterprises, Inc. ("Telaleasing")
- 43 Telecommunications Resellers Association ("TRA")
- 44 Tennessee Regulatory Authority
- 45 United States Telephone Association ("USTA")
- 46 US WEST, Inc. ("US WEST")
- 47 Voice Telephone Company ("Voice")
- 48 Wisconsin Public Communications Association ("WPCA")

APPENDIX D

RULES AMENDED (IMMEDIATE)

Part 64 of Title 47 of the Code of Federal Regulations is amended as follows:

1. The authority citation for Part 64 is revised to read as follows:

AUTHORITY: Sec. 4, 48 Stat. 1066, as amended; 47 U.S.C. 154, unless otherwise noted. Interpret or apply secs. 201, 218, 226, 228, 276, 48 Stat. 1070, as amended; 47 U.S.C. 201, 218, 226, 228, 276 unless otherwise noted.

2. The heading of Subpart M of Part 64 is revised to read as follows:

Subpart M -- Payphone Compensation

3. The first sentence of Section 64.1301(a) is revised to read as follows:

(a) Each payphone service provider eligible to receive compensation shall be paid \$45.85 per payphone per month for originating access code and toll-free calls.

4. Section 64.1301(b) is revised to read as follows:

(b) This compensation shall be paid by interexchange carriers (IXCs) that earn annual toll revenues in excess of \$100 million, as reported in the FCC staff report entitled "Long Distance Market Shares." Each individual IXC's compensation obligation shall be set in accordance with its relative share of toll revenues among IXCs required to pay compensation. For example, if total toll revenues of IXCs required to pay compensation is \$50 billion, and one of these IXCs had \$5 billion of total toll revenues, the IXC must pay \$4.585 per payphone per month.

5. Section 64.1330 is added to read as follows:

64.1330 State Review of Payphone Entry and Exit Regulations and Public Interest Payphones.

(a) Each state must review and remove any of its regulations applicable to payphones and payphone service providers that impose market entry or exit requirements.

(b) Each state must ensure that access to dialtone, emergency calls, and telecommunications relay service calls for the hearing disabled is available from all payphones at no charge to the caller.

(c) Each state must review its rules and policies to determine whether it has provided for public interest payphones consistent with applicable Commission guidelines, evaluate whether it

Federal Communications Commission

needs to take measures to ensure that such payphones will continue to exist in light of the Commission's implementation of Section 276 of the Communications Act, and administer and fund such programs so that such payphones are supported fairly and equitably. This review must be completed by September 20, 1998.

6. Section 64.1340 is added to read as follows:

64.1340 Right to Negotiate

Unless prohibited by Commission order, payphone service providers have the right to negotiate with the location provider on the location provider's selecting and contracting with, and, subject to the terms of any agreement with the location provider, to select and contract with, the carriers that carry interLATA and intraLATA calls from their payphones.

7. Section 64.703(b) is revised by removing the "and" at the end of subsection (2); by renumbering subsection (3) as (4); and adding a new subsection (3) as follows:

(3) In the case of a pay telephone, the local coin rate for the pay telephone location; and

Federal Communications Commission

APPENDIX E

RULES AMENDED (DEFERRED)

Part 64 of Title 47 of the Code of Federal Regulations is amended as follows:

1. The authority citation for Part 64 continues to read as follows:

AUTHORITY: Sec. 4, 48 Stat. 1066, as amended: 47 U.S.C. 154, unless otherwise noted. Interpret or apply secs. 201, 218, 226, 228, 276, 48 Stat. 1070, as amended; 47 U.S.C. 201, 218, 226, 228, 276 unless otherwise noted.

2. Section 64.1301 is deleted.

3. Section 64.1300 is added to read as follows:

64.1300 Payphone Compensation Obligation.

(a) Except as provided herein, every carrier to whom a completed call from a payphone is routed shall compensate the payphone service provider for the call at a rate agreed upon by the parties by contract.

(b) The compensation obligation set forth herein shall not apply to calls to emergency numbers, calls by hearing disabled persons to a telecommunications relay service or local calls for which the caller has made the required coin deposit.

(c) In the absence of an agreement as required by subsection (a) herein, the carrier is obligated to compensate the payphone service provider shall do so at a per-call rate equal to its local coin rate at the payphone in question.

(d) For the initial one-year period during which carriers are required to pay per-call compensation, in the absence of an agreement as required by subsection (a) herein, the carrier is obligated to compensate the payphone service provider at a per-call rate of \$.35 per call. After this initial one-year period of per-call compensation, subsection (c) herein will apply.

4. Section 64.1310 is added to read as follows:

64.1310 Payphone Compensation Payment Procedures.

(a) It is the responsibility of each carrier to whom a compensable call from a payphone is routed to track, or arrange for the tracking of, each such call so that it may accurately compute the compensation required by Section 64.1300(a).

Federal Communications Commission

(b) Carriers and payphone service providers shall establish arrangements for the billing and collection of compensation for calls subject to Section 64.1300(a).

(c) Local Exchange Carriers must provide to carriers required to pay compensation pursuant to Section 64.1300(a) a list of payphone numbers in their service areas. The list must be provided on a quarterly basis. Local Exchange Carriers must verify disputed numbers in a timely manner, and must maintain verification data for 18 months after close of the compensation period.

(d) Local Exchange Carriers must respond to all carrier requests for payphone number verification in connection with the compensation requirements herein, even if such verification is a negative response.

(e) A payphone service provider that seeks compensation for payphones that are not included on the Local Exchange Carrier's list satisfies its obligation to provide alternative reasonable verification to a payor carrier if it provides to that carrier:

(1) A notarized affidavit attesting that each of the payphones for which the payphone service provider seeks compensation is a payphone that was in working order as of the last day of the compensation period; and

(2) Corroborating evidence that each such payphone is owned by the payphone service provider seeking compensation and was in working order on the last day of the compensation period. Corroborating evidence shall include, at a minimum, the telephone bill for the last month of the billing quarter indicating use of a line screening service.

5. Section 64.1320 is added to read as follows:

64.1320 Payphone Compensation Verification and Reports.

(a) Carriers subject to payment of compensation pursuant to Section 64.1300(a) shall conduct an annual verification of calls routed to them that are subject to such compensation and file a report with the Chief, Common Carrier Bureau within 90 days of the end of the calendar year, provided, however, that such verification and report shall not be required for calls received after December 31, 1998.

(b) The annual verification required in this section shall list the total amount of compensation paid to payphone service providers for intrastate, interstate and international calls, the number of compensable calls received by the carrier and the number of payees.

6. The authority citation for Part 68 continues to read as follows:

Authority: Secs. 1, 4, 5, 201-5, 215, 218, 226, 227, 303, 313, 314, 403, 404, 410, 602 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154, 155, 201-5, 208, 215, 218, 226, 227, 303, 313, 314, 403, 404, 410, 602.

Federal Communications Commission

7. Section 68.2(a)(1) is amended to read:

Of all terminal equipment to the public switched telephone network, for use in conjunction with all services other than party line service;

8. Section 68.3, the definition of "coin-implemented telephone" is deleted.

9. Section 68.3, is amended to add the definition of "instrument implemented telephone" to read:

Instrument-implemented telephone: A telephone containing all circuitry required to execute coin acceptance and related functions within the instrument itself and not requiring coin service signaling from the central office.

10. Section 68.3 definition of "Coin Service" is deleted.

11. Section 68.3 is amended to add the definition of "Central-office implemented telephone" to read:

Central-office implemented telephone: A telephone executing coin acceptance requiring coin service signaling from the central office.

Federal Communications Commission

**APPENDIX F
INTERIM COMPENSATION OBLIGATIONS**

Company	1995 Total Toll Services Revenues (\$ in Millions)	% of Total Toll Revenues	Amount Per Phone Per Month
AT&T COMPANIES:			
AT&T COMMUNICATIONS, INC.	\$38,069	56.69%	\$25.9923406
ALASCOM, INC.	325	0.48%	0.2219000
MCI TELECOMMUNICATIONS CORP.	12,924	19.25%	8.8241091
SPRINT COMMUNICATIONS CO.	7,277	10.84%	4.9685115
LDDS WORLDCOM	3,640	5.42%	2.4852799
FRONTIER COMPANIES:			
ALLNET COMM. SVCS. dba FRONTIER COMM. SVCS.	827	1.23%	0.5646501
FRONTIER COMMUNICATIONS INT'L, INC.	309	0.46%	0.2109757
FRONTIER COMM. OF THE NORTH CENTRAL REGION	133	0.20%	0.0908083
FRONTIER COMMUNICATIONS OF THE WEST, INC.	127	0.19%	0.0867117
CABLE & WIRELESS COMMUNICATIONS, INC.	700	1.04%	0.4779384
LCI INTERNATIONAL TELECOM CORP.	671	1.00%	0.4581381
EXCEL TELECOMMUNICATIONS, INC.	363	0.54%	0.2478452
TELCO COMMUNICATIONS GROUP, INC.	215	0.32%	0.1467954
MIDCOM COMMUNICATIONS, INC.	204	0.30%	0.1392849
TEL-SAVE, INC. 9/	180	0.27%	0.1228985
U.S. LONG DISTANCE, INC.	155	0.23%	0.1058292
VARTEC TELECOM, INC.	125	0.19%	0.0853461

Federal Communications Commission

<i>Continued from the previous page</i>			
Company	1995 Total Toll Services Revenues (\$ in Millions)	% of Total Toll Revenues	Amount Per Phone Per Month
GENERAL COMMUNICATION, INC.	120	0.18%	0.0819323
BUSINESS TELECOM, INC.	115	0.17%	0.0785185
ONCOR COMMUNICATIONS, INC.	111	0.17%	0.0757874
THE FURST GROUP, INC.	109	0.16%	0.0744218
AMERICAN NETWORK EXCHANGE, INC.	101	0.15%	0.0689597
TOTAL	67,153	100.00%	45.85

September 20, 1996

Separate Statement of
Commissioner Rachelle B. Chong

Re: In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128; Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation, CC Docket No. 91-35.

In the Telecommunications Act of 1996,¹⁰³⁶ Congress mandated twin goals for a restructuring of our nation's payphone industry. Congress directed the Commission to establish rules that "promote competition among payphone service providers and promote the widespread deployment of payphone services to the general public."¹⁰³⁷ In this order, we effectuate Congress' intent by putting in place a new market-oriented scheme governing payphones. Thus, competition now becomes the new coin of the realm for the payphone industry.

I write separately to show my strong support for the new policies we unanimously adopt today. In my view, these innovative policies will strip away outmoded regulations, unleash competitive forces upon all segments of the payphone industry, and put in place a mechanism to preserve the continuing availability of payphones that serve the public interest.

The payphone industry is one in which competition with its attendant consumer benefits can easily thrive. However, our current payphone regulations were not crafted in a way that promoted regulatory parity between the market players or put a high premium on consumer protection. Under the statutory and regulatory framework that was in place prior to the 1996 Act, payphone providers were subject to different regulations whose application mainly depended upon whether an entity providing payphone service was a local exchange company or an independent payphone provider. For example, local exchange companies traditionally had the ability to subsidize their payphone operations with telephone service revenues and were restricted from choosing long distance providers on their payphones. In contrast, independent payphone providers had to support their operations mainly from revenues received at payphone stations and through commission arrangements with operator service providers. This disparate treatment created certain incentives and distortions in the market that, during the past decade, resulted in supracompetitive rates at certain payphones

¹⁰³⁶ Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 *to be codified at* 47 U.S.C. §§ 151 *et. seq.* (1996 Act).

⁷ 47 U.S.C. § 276(b)(1).

Federal Communications Commission

and in consumer confusion. As the rest of the telecommunications industry moves swiftly into a new pro-competitive, deregulatory era, our payphone regulations cried out for revision.

In this order, we dismantle the existing regulatory system by putting in place rules that in essence will establish a new competitive payphone industry. These rules are designed to remove existing subsidies, provide for nondiscriminatory access to bottleneck facilities, ensure fair compensation for all calls originated on payphones, and allow all competitors equal opportunity to compete for essential aspects of the payphone business.

At the heart of our new policies is that we have agreed that the best way to ensure fair compensation for payphone service is to let the market set the price for individual payphone calls. In this order, we establish a two-stage process as a transition to market-based rates. During stage one, or during the first year after this order becomes effective, local exchange companies are required to terminate subsidies for their payphones and are not be eligible to receive compensation for non-coin calls made on their payphones until such subsidies are terminated. Independent payphone providers, however, will begin to receive compensation for access code calls and subscriber 800 calls on a flat-rate basis. In addition, during this first stage, the states may continue to set the local coin rate but may move to market-based local coin rates at any time during this one-year period. The states are asked to conduct an examination of payphone regulations to review and remove any regulations that affect competition.

In stage two, which will commence one year after this order becomes effective, carriers to whom payphone calls are routed must have in place a per-call tracking capability and are required to remit per-call compensation to payphone providers, including local exchange carriers. In this stage, the market will set the rate for local coin calls and we establish a \$.35 default compensation rate that interexchange carriers will pay to payphone providers for each compensable call. After the conclusion of the second stage, the market-based local coin rate at these payphones will be the default compensation rate for all compensable calls in the absence of an agreement between the payphone provider and the carrier-payor. Thus, in two years, with certain limited exceptions, we can look forward with confidence to competition -- rather than regulation -- determining calling and compensation rates in the payphone industry.

We also retain the discretion to review the deregulation of local coin rates nationwide and determine whether marketplace disfunctions in certain locational monopoly areas -- such as airports or train stations -- exist and should be addressed. If a problem arises, we will stand ready to step in and resolve any problems.

In deciding to rely on market forces, however, we have also refocused on consumers. I am pleased that we have put in place several safeguards to ensure their protection. We do so in light of the fact that payphones serve an important role in allowing people to place calls

Federal Communications Commission

when they are away from home or the office. We require that all payphones must provide free access to dialtone. Further, our new rules require that payphone providers must prominently display the local coin rate they choose to charge at each payphone, so that consumers will have full information about the charges and can make an informed choice to use the payphone.

Payphones located in isolated or remote areas also serve as critical links to help when a person is faced with an unexpected emergency. In circumstances where the free market may not adequately encourage the deployment of payphones in locations that would serve public health, safety, and welfare needs, we establish guidelines by which the states may maintain and fund such public interest payphones. Under our order, states will be able to use their knowledge of local conditions to ensure that the public has access to telecommunications by requiring the maintenance of payphones at locations, such as along remote stretches of a rural road or on a county beach, that may not be economically self-supporting in the free market.

Our order also requires that every payphone provide free access to both emergency services and to telecommunications relay service (TRS) calls for the hearing disabled. I believe it is appropriate for the states to take the lead on public interest payphones in their states. I look forward to their good work in this area that is so fundamental to Congress' second goal in Section 276 -- the "widespread deployment of payphone services to the general public."¹⁰³⁸

¹⁰³⁸ 47 U.S.C. Section 276(b)(1).